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Homeland Security

United States  
Coast Guard



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**DEPARTMENT OF HOMELAND SECURITY**

**U. S. COAST GUARD**

**STATEMENT OF**

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**ON THE**

**NATIONAL SECURITY REVIEW OF THE DP WORLD TRANSACTION**

**BEFORE THE**

**ARMED SERVICES COMMITTEE**

**U. S. HOUSE OF REPRESENTATIVES**

**MARCH 2, 2006**

Good afternoon Mr. Chairman and distinguished Members of the Committee. It is a pleasure to appear before you today to discuss the national security review of the DP World (DPW) transaction.

Let me begin by stressing that the Coast Guard is the federal agency in charge of maritime security in our ports and waterways. Before I describe our security precautions for incoming shipping, let me give you some of the regulatory backdrop and other security aspects to add context to this discussion.

Facility and vessel security rules are found in the Maritime Transportation Security Act (MTSA) and the International Ship and Port Facility Security (ISPS) Code. These security rules are complementary in nature and specify detailed requirements for both vessels and facilities. They require a unique security assessment and a tailored security plan for each facility and vessel. They also identify personal responsibilities for executing the plan, along with drill and exercise requirements, recordkeeping, and coordination with port officials.

### **Port Security**

Under MTSA, the Coast Guard is responsible for regulating security in all American ports, including the security of facility operators.

I should first clarify what facility operators do. They do not run ports, and they do not provide security for the entire port system. Security for the port is the responsibility of the government and the local port authority, which is usually a government agency. However, the facility operators are responsible for ensuring the security operations within their facility are in compliance with Maritime Transportation Security regulations and executing the approved security plans for their individual facilities.

Facility operators ordinarily sign a long term lease for waterfront property in the port. They build a pier for ships, cranes to unload the ship, a parking lot to store the containers they unload, and perhaps a small management office. By and large they make their money lifting containers out of ships and holding them for shippers. DPW is hoping to assume responsibility for the leases for facilities in the United States. That's a relatively small part of the operations in the 6 ports where they would operate facilities. There are about 800 regulated port facilities in those 6 ports, so the 24 operated by DPW here constitute less than 5% of the facilities in those ports. Each operator must file a security plan for their facility with the Coast Guard, detailing how they plan to comply with all of the security measures that the Coast Guard requires. The Coast Guard then inspects the facility and checks the execution of the plan, requiring more effective measures if they are deemed necessary. There are over 3,000 marine cargo facilities in the United States and each has an approved and inspected security plan. Since July 2004, the Coast Guard has required corrective action on more than 700 violations of the MTSA security regulations. Of those 700+ violations, 44 resulted in major control actions, such as the termination of cargo operations or the closure of that facility until corrective measures were taken.

The Coast Guard has taken action on a host of initiatives since the passage of the MTSA related to port security. Included among those initiatives we completed Port Security Assessments and Port Threat Assessments for all 55 military and/or economically critical ports.

In addition, 44 Maritime Security Committees have been formally chartered and have developed Area Maritime Security Plans for the purpose of detecting, deterring, and preventing terrorist attacks as well as responding in the event of an incident. These committees are chaired by the local Coast Guard official, the designated Federal Maritime Security Coordinator, and include port authorities, vessel and facility owner/operators, and labor representatives as well federal, state, and local agency representatives.

Additionally, the Coast Guard established an International Port Security Program to assess the effectiveness of anti-terrorism measures in place in ports overseas. To date, 44 countries have been assessed by the Coast Guard, and 37 have been found to have substantially implemented the ISPS Code. These 44 countries are responsible for over 80 percent of the maritime trade to the United States. The seven countries that are not in substantial compliance have been or will be notified shortly to take corrective actions or risk being placed on a Port Security Advisory and have “Conditions of Entry” imposed on vessels arriving from their ports. As well, we have observed best practices in the ports of these countries and have included them on the Coast Guard website.

### **Vessel Security**

There are approximately 11,000 U.S. vessels that we have required to have approved vessel security plans (6,200 inspected vessels and 4,800 un-inspected vessels). We have received, reviewed, and approved all vessel security plans.

Regarding the substantial foreign vessel trade, the Coast Guard has taken multiple steps to monitor this activity. One major step was the publication of the 96-hour Advanced Notice of Arrival regulations, which require vessel owner/operators to provide detailed information to the Coast Guard 96-hours before a vessel arrives at a U.S. port on a voyage from a foreign port. This regulation provides sufficient time to vet the crew, passengers, cargo, and vessel information for all vessels prior to their entering the United States from foreign ports.

Since July 2004, the Coast Guard has conducted 16,000 foreign flag vessel boardings to enforce security compliance with the ISPS Code. These boardings were conducted either offshore or in port depending on the risk assessment completed prior to each vessel’s arrival in a U.S port. From those 16,000 boardings, the Coast Guard has imposed 143 detentions, expulsions or denials of entry for vessels that failed to comply with international security requirements.

In addition, the Coast Guard has established a process to identify and target “high interest” vessels. This process has resulted in 3,400 at sea security boardings and 1,500 positive vessel control escorts since 2004 to ensure that these vessels cannot be used as weapons.

### **Summary of Actions Taken by the Coast Guard Since 9/11**

Since 9/11, the Coast Guard in partnership with many federal, state, local agencies and industry partners has made significant improvements to maritime security. We negotiated at the International Maritime Organization for the ISPS Code, which requires the security plans I have discussed. We wrote implementing regulations for the MTSA, the domestic equivalent of the ISPS Code. We immediately required an increase in the advance notification required to enter port from 24 hours to 96 hours. This allowed for a complete check of the required crew list against U.S. terrorist watch lists, and we added additional reporting requirements for last port of call data, cargo information, and complete passenger information to allow us to further screen for vessel risks.

We have added additional personnel to fill security inspector billets to conduct the vessel and port facility security plan inspections. We established 12 Maritime Safety and Security Teams (MSST), which augment existing Coast Guard forces to perform Port, Waterways and Coastal Security (PWCS), anti-terrorism, limited counter-narcotics and general law enforcement missions; are deploying over 80 new small boats and crews; added radiation detection capability to our boarding teams; deployed field intelligence support teams to better collect and use maritime threat information; and acquired 15 coastal patrol boats and accepted transfer of five Navy 179-foot patrol craft. We are in the process of rebuilding our aircraft and cutter fleet through our Deepwater acquisition initiative. We also are in the process of improving our Maritime Domain Awareness to allow us to detect vessels of all sizes off our coast and ports through the use of required Automatic Identification Systems (AIS), which provide real-time information on vessel positions and movements. We required the submission and approval of Area Maritime Security Plans to link up with the facility and vessel security planning to the larger port and regional area by Coast Guard Sector Commanders in concert with Area Security Committees. This ensures completely integrated port-level planning.

As required by the MTSA, we formed the International Port Security program with auditors to assess the effectiveness of anti-terrorism measures in place in ports overseas through visits to our trading partners.

I believe this description accurately describes the Coast Guard's actions to develop and set maritime security standards and then enforce them.

### **P&O and DP World**

Regarding the Coast Guard's involvement in the CFIUS process, the Coast Guard's initial review identified potential gaps in available intelligence related to specific Coast Guard interests in the transaction. However, after fully considering all available intelligence, the Coast Guard's assessment was that it did not oppose the transaction and raised no objections with DHS to the transaction. Since completing its intelligence assessment, the Coast Guard has continued its due diligence by auditing all P&O operations in the United States, examining DPW operations outside the United States, obtaining formal assurances from DPW regarding ongoing access to information on personnel and operations, and further evaluating the proposed transaction in conjunction with other components of the intelligence community. These additional efforts have reinforced the conclusion of the Coast Guard's intelligence assessment, and the Coast Guard continues to believe that, in light of the assurances DHS received from the companies, DPW's acquisition of P&O does not pose a threat to U.S. assets in continental United States ports. In fact, as a consequence of the transaction and because of the commitments made by the companies, the Coast Guard will have more information about the affected terminals under DPW ownership than it currently does under P&O ownership. In the context of any further review, the Coast Guard will continue to work diligently within the Department of Homeland Security and the intelligence community to ensure that the port security concerns are fully raised and objectively analyzed. In addition, the Coast Guard is in the process of scheduling a Coast Guard international port visit to Dubai.

Thank you for the opportunity to testify before you today. I will be happy to answer any questions you may have.